

AR27

file



ANNUAL REPORT

1966

PHILLIPS CABLES LIMITED



"HAPPY BIRTHDAY, CANADA,"
FROM
ONE OF YOUR HOME GROWN INDUSTRIES



AR27



Head Office King Street West, Brockville, Ontario, Canada.



Area Code 613, 345-5666

March 7, 1966

TO THE SHAREHOLDERS:

The following is a condensed report of the results of your Company's operations for the year ended December 31, 1965, as approved by our auditors:

	<u>12 Months ending December 31</u> (in thousands of dollars)	
	<u>1 9 6 5</u>	<u>1 9 6 4</u>
Net Sales	\$ 44,489	\$ 37,643
Profit before under- noted charges	6,417	4,629
Depreciation	\$1,038	\$1,124
Income Tax Provision	2,643	1,564
Financial & Other	<u>537</u>	<u>617</u>
	<u>4,218</u>	<u>3,305</u>
Net Profit	\$ <u>2,199</u>	\$ <u>1,324</u>
Shares Issued & Outstanding	647,046	640,096
Earnings per share	\$ 3.40	\$ 2.07

NOTE: The comparative figures for 1964 have been restated to compare with those for 1965 which are shown in accordance with the requirements of the Canada Corporations Act as amended in 1965. In 1964 and 1965 \$120,000 and \$140,000 respectively were appropriated from surplus to provide for fluctuations in inventory values.

Despite a two-week strike at the Brockville and Montreal plants in the first part of July, results for the second half year were very satisfactory. The net profit for the year is 66% over the 1964 figure, and is the highest since the Company was organized in 1953. This is the fourth consecutive year in which there has been a substantial increase in net profit.

.

The year has been marked by significant increases in both domestic and export sales, and our continued efforts to improve efficiency have produced another welcome gain in productivity.

Although factory outputs are at or near maximum capacity, the rate of new business is such that the backlog has again increased. To meet present and anticipated future demand, expansion of our plants at Montreal, Vancouver and Dartmouth is essential, and building and equipment programmes are presently underway. The extent of this expansion programme is such that additional capital will be required. It is proposed to raise a portion of this capital by the sale of additional common shares. Any additional funds required, over and above those raised through the common stock issue, will be met out of current earnings.

In order to give eligible shareholders the opportunity of maintaining their proportional share interest, the additional shares will be offered by way of rights on the basis of one new share for each five shares held. Details of this proposal will be forthcoming within the next several days. It is, therefore, important that shareholders should ensure that shares are registered in their own names in order that they will be sure to obtain further particulars.

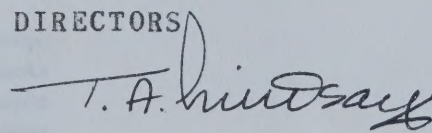
It is regretted that the Company will be unable to accept share subscriptions from residents of the United States of America, its territories and possessions.

Although the warrants respecting the right to subscribe for additional shares will not be exercisable by residents of the United States of America, its territories and possessions, it is expected that there will be a market in Canada for the warrants, so that United States shareholders may dispose of their warrants.

At a meeting of the Board of Directors held today, it was decided to increase the regular quarterly dividend from 15¢ to 20¢ per share, retroactive to January 1, 1966, and accordingly the Directors declared a dividend of 20¢ per share, payable April 1, 1966, to shareholders of record March 18, 1966. Since the dividend already paid on January 1, 1966, was at the 15¢ rate, an additional 5¢ per share, payable April 1, 1966, has also been declared, to shareholders of record March 18, 1966.

The Company's progress during 1965 will be described in greater detail in the Annual Report, which will be mailed to shareholders shortly.

ON BEHALF OF THE BOARD OF DIRECTORS



T. A. Lindsay
President

PHILLIPS CABLES LIMITED

HEAD OFFICE
BROCKVILLE, ONTARIO
CANADA

ANNUAL REPORT

For the Year Ended December 31, 1966

In 1889 the Company was founded as Eugene F. Phillips Electrical Works Limited with one small factory on the banks of the Lachine Canal near Montreal. Since then, as Canada has grown your Company has kept pace with it, until today Phillips has five large factories from Dartmouth, Nova Scotia to Vancouver, B.C.

(See early advertisement inside back cover)



ANNUAL MEETING

The Annual General Meeting of the Shareholders of PHILLIPS CABLES LIMITED will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 21st, 1967, at two-thirty o'clock in the afternoon.

PHILLIPS CABLES LIMITED

BOARD OF DIRECTORS

DR. W. J. J. CURRY.....	London, England	T. A. LINDSAY.....	Brockville, Ont.
J. K. DAVIS.....	New York, U.S.A.	J. E. THOMAS.....	Brockville, Ont.
A. L. FERGENSON.....	New York, U.S.A.	A. S. TORREY.....	Montreal, Que.
W. FRASER.....	Ayr, Scotland	J. S. WADDINGTON.....	Brockville, Ont.
G. GINGRAS.....	Montreal, Que.	R. H. WADDINGTON.....	New York, U.S.A.
AIR MARSHAL H. CAMPBELL.....		Ottawa, Ont.	

OFFICERS

<i>Chairman</i>	A. S. TORREY
<i>Vice-Chairman</i>	W. FRASER
<i>President</i>	T. A. LINDSAY
<i>Vice-President</i>	J. R. PHILIPS
<i>Vice-President</i>	J. E. THOMAS
<i>Vice-President</i>	J. S. WADDINGTON
<i>Secretary-Treasurer</i>	M. F. W. GREENE
<i>Assistant Treasurer</i>	R. B. WOLTON
<i>Assistant Secretary</i>	E. W. REYNOLDS

MANAGEMENT

Communication Products.....	G. H. GALLIMORE	Power Products.....	R. C. SALKELD
Wire Mill.....	C. L. SHERMAN	Marketing.....	C. PRESCOTT

AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON
Montreal, Que.

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY LTD.
Toronto and Montreal

SOLICITORS

BORDEN, ELLIOT, KELLEY & PALMER
Toronto, Ont.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	1966	1965	1964	1963	1962
Sales	\$59,415,000	\$44,489,000	\$37,643,000	\$33,985,000	\$30,991,000
Income Taxes	\$ 3,525,000	\$ 2,643,000	\$ 1,564,000	\$ 529,000	\$ 14,000
Net Profit from Operations ..	\$ 3,539,000	\$ 2,059,000	\$ 1,204,000	\$ 510,000	\$ 494,000
Total Net Profit	\$ 3,879,000	\$ 2,199,000	\$ 1,324,000	\$ 510,000	\$ 494,000
Dividends Declared	\$ 837,000	\$ 386,000	\$ 317,000	-	-
Depreciation Charged	\$ 1,210,000	\$ 1,038,000	\$ 1,124,000	\$ 994,000	\$ 983,000
Investment in Fixed Assets ...	\$ 3,726,000	\$ 2,148,000	\$ 736,000	\$ 427,000	\$ 192,000
Working Capital	\$12,833,000	\$ 8,479,000	\$ 7,254,000	\$ 5,964,000	\$ 5,393,000
Shareholders' Equity	\$16,798,000	\$10,474,000	\$ 8,563,000	\$ 7,377,000	\$ 6,867,000
Shares Outstanding	791,395	647,046	640,496	614,996	614,996
Earnings per Share:					
Operations	\$ 4.47	\$ 3.18	\$ 1.88	\$.83	\$.80
* Profit on Inventory	.43	.22	.19	-	-
Total	\$ 4.90	\$ 3.40	\$ 2.07	\$.83	\$.80
Shareholders' Equity per Share	\$ 21.23	\$ 16.19	\$ 13.37	\$ 12.00	\$ 11.17

* Estimated profit realized on inventory due to copper price increases.

PHILLIPS CABLES LIMITED

Head Office,
Brockville, Ontario,
March 3, 1967.

To the Shareholders:

Your Directors have pleasure in submitting their 13th Annual Report.

EARNINGS For the year ended December 31, 1966, earnings reached a new high for the fifth consecutive year. After providing income tax of \$3,525,000, Net Profit of \$3,879,000 increased 76% over the previous year. The equivalent earnings per share were \$4.90 on each of the 791,395 shares of capital stock outstanding at the year-end, up from \$3.40 per share on the 647,046 shares outstanding on December 31, 1965.

DIVIDENDS Dividend payments in 1966 totalled 80 cents per share. In light of the substantially improved earnings during the first nine months of 1966, your Directors, at a Board Meeting held in November 1966, raised the quarterly dividend payable January 1, 1967, from 20 cents to 25 cents per share and, in addition, declared an extra dividend of 20 cents per share also payable January 1, 1967.

SALES Record demand for the complete range of wire and cable products in the domestic and export markets provided a full load for our plants during 1966. The highest sales figure so far recorded of \$59,415,000 represented an increase of 34% over 1965. This is the sixth consecutive year in which there has been a sales increase. Keen competition was encountered in both domestic and export markets despite overall high demand, so that, exclusive of price adjustments caused by an increase in the price of copper, selling prices remained fairly stable throughout the year.

OPERATIONS Once again, the organization was able to reduce manufacturing costs and so enhance the earnings position. This was accomplished by concentration on our efficiency improvement program, which, over the past several years, has produced very worthwhile results.

The new wholly-owned subsidiary — Phillips Cables (Western) Limited at Sentinel, Alberta — started commercial production early in 1966. After overcoming some difficult manufacturing problems, due to break-in of new equipment and training of new employees, the operation rapidly gained momentum, and is now an important profit contributor. The Sentinel plant enjoys the benefits of the Department of Industry's Designated Area Program, and profits from its operations are tax-free until February 1969.

The Montreal Plant is still under the homologation order obtained by the City of Montreal in August 1964, which may result in expropriation of part or all of the plant and its surrounding property. Future planning for the products being manufactured in Montreal is still being held in abeyance pending a decision by the City.

The achievements of the past year have been made in the face of a number of critical situations which often taxed the ingenuity of Management. To mention only a few — the truck and rail strikes caused considerable disruption to incoming and outgoing shipments of material; the strike at International Nickel Company resulted in periods of extreme shortage of copper, producing inventory imbalances and manning problems. Throughout these periods, the cooperation of Company personnel and, most importantly, the understanding of our customers, resulted in minimum dislocation of manufacturing schedules.

COPPER PRICE

In January 1966, Canadian copper producers raised the price of copper wire bars from 40¾ cents to 45 cents per pound. Based on the estimated inventory profits realized on this price increase, \$340,000 was transferred from surplus to the tax-paid reserve, which now stands at \$600,000. Your Directors believe that this reserve should adequately cover inventory losses that may be incurred on any future decrease in the price of copper.

The transfers to general reserve are estimated tax-paid inventory profits realized on increases in metal price. These transfers prior to 1965 were charged to the earnings of the period in which they occurred, and the following reflects net profits from operations excluding inventory profits realized on copper price increases:

	1966	1965	1964
Total Net Profit	\$3,879,000	\$2,199,000	\$1,324,000
Less: Transfers to General Reserve	340,000	140,000	120,000
Net Profit from Operations	<u>\$3,539,000</u>	<u>\$2,059,000</u>	<u>\$1,204,000</u>

The price of copper was increased 2¼ cents per pound from 45 cents to 47¼ cents per pound on January 26, 1967. The general reserve will be increased in 1967 by the estimated tax-paid profits realized on this most recent price increase.

EXPANSION PROGRAM

An expansion program involving the expenditure of approximately \$8-million in buildings and manufacturing equipment was commenced in 1966 at the Vancouver, Sentinel, Brockville and Dartmouth plants. These expansions have progressed according to schedule, and it is expected that all remaining additional facilities will come on stream during the first half of 1967.

To assist in the financing of the heavy capital expenditures required for the expansion, in March 1966 a Rights Offering was made entitling shareholders to purchase one new share at \$23.00 per share for each five shares held. All Rights were exercised and provided additional capital of \$3,031,377. In addition, stock

options granted to executive directors, officers and key employees in 1965 were exercised and provided an additional \$251,000.

Mr. A. L. Fergenson, President of General Cable Corporation, New York, U.S.A.; Mr. J. K. Davis, Vice-President of General Cable Corporation, and Dr. W. J. J. Curry, Executive Director of British Insulated Callender's Cables Limited, London, England, were elected Directors at the 1966 Annual General Meeting of Shareholders. Mr. R. D. Parker, having ably served as a Director from 1959, retired from the Board in April 1966.

DIRECTORS

A Special General Meeting of Shareholders held in September 1966 ratified a by-law raising the number of Directors from ten to eleven. Subsequent to this meeting, Air Marshal Hugh Campbell, a Director of a number of Canadian companies, was appointed a Director of your Company.

The outstanding results of 1966 could not have been attained without the full support and enthusiasm of hourly-paid workers, staff and members of Management. Your Directors take this opportunity to express their gratitude and appreciation for the continued effort and cooperation of all employees.

EMPLOYEES

The contract between the Company and the bargaining agents for hourly-paid employees at Brockville and Montreal plants expired December 23, 1966. In accordance with terms of the contract, negotiations commenced in late October, and early in February of this year formal agreement on a new two-year contract, expiring January 29, 1969, was reached.

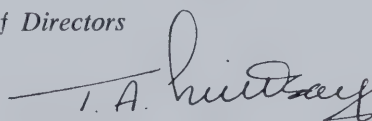
The employee strength of your Company at the end of 1966 was 1,455, compared with 1,235 a year ago. The Sentinel plant of Phillips Cables (Western) Limited now has 154 employees, which are included in the above total.

The experience of the first few weeks of the new year indicates that all manufacturing units will be fully occupied throughout the year 1967. Substantial year-end backlogs, together with record orders entered for the month of January, have occupied new plant capacity as quickly as it was installed. New, more efficient equipment will enable us to pursue our cost reduction program with added incentive. The easing of credit for residential construction has already stimulated a higher level of business in the building wire market, and this will likely be followed by increased demand from utilities, communication companies and appliance manufacturers.

OUTLOOK

We are looking forward to 1967 as another year of progressive achievement.

On Behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "I. A. Huitt", is written over a horizontal line.

President

CONSOLIDATED

AS A

ASSETS

	1966	1965
Current Assets		
Cash	\$ 28,181	\$ 21,673
Accounts receivable	6,768,059	6,390,480
Inventories — at cost	16,382,533	11,587,428
Prepaid expenses	84,028	61,164
	<u>23,262,801</u>	<u>18,060,745</u>
Special Refundable Tax	162,893	-
	<u>162,893</u>	<u>-</u>
Investments — at cost		
Partially-owned subsidiary — shares	6,000	6,000
Other	20,000	20,000
	<u>26,000</u>	<u>26,000</u>
Fixed Assets		
Land — at cost	332,374	332,374
Buildings at cost, less accumulated depreciation \$1,434,930 (1965 — \$1,285,291)	3,821,786	3,969,221
Machinery at cost, less accumulated depreciation \$9,010,239 (1965 — \$8,273,564)	3,995,294	4,355,184
Construction in progress — at cost	3,172,761	284,234
	<u>11,322,215</u>	<u>8,941,013</u>
Unamortized Bond Discount	146,927	155,052
	<u>\$34,920,836</u>	<u>\$27,182,810</u>

Approved on behalf of the

T. A. LINN
GÉRARD C

Notes to consolidated financial statements

BALANCE SHEET

31, 1966

LIABILITIES

Current Liabilities	1966	1965
Bank indebtedness	\$ 974,745	\$ 1,994,977
Accounts payable and accrued liabilities, including \$148,015 due to affiliates (1965 — \$174,278)	6,220,813	4,423,043
Taxes payable	1,645,547	1,959,169
Dividend payable	356,128	96,757
Deposits held for returnable containers	1,232,756	1,107,787
	<u>10,429,989</u>	<u>9,581,733</u>
5¾% First Mortgage Sinking Fund Bonds Series A due February 1, 1985 (Note 1)	6,500,000	6,500,000
Deferred Income Taxes	<u>1,193,000</u>	<u>627,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (Note 2)		
Authorized — 1,000,000 shares without nominal or par value		
Issued — 791,395 shares (1965 — 647,046)	9,709,317	6,426,940
Earned Surplus	6,488,530	3,787,137
General Reserve (Note 3)	600,000	260,000
	<u>16,797,847</u>	<u>10,474,077</u>
	<u>\$34,920,836</u>	<u>\$27,182,810</u>

ector.

Director.

an integral part of this statement.

PHILLIPS CABLES LIMITED

AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1966

	1966	1965
Sales	\$59,415,203	\$44,489,344
Cost of sales, selling and administrative expenses	50,281,983	38,072,147
Depreciation	1,209,898	1,037,664
Bond and debenture interest and discount	381,875	423,903
Directors' remuneration	137,646	113,531
	<u>52,011,402</u>	<u>39,647,245</u>
Profit before income taxes	7,403,801	4,842,099
Provision for income taxes (Note 4)		
Taxes payable for the year	2,959,000	2,911,000
Transfer to (from) deferred income taxes	566,000	(268,000)
	<u>3,525,000</u>	<u>2,643,000</u>
Net profit	<u>\$ 3,878,801</u>	<u>\$ 2,199,099</u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1966

	1966	1965
Balance at January 1	\$ 3,787,137	\$ 2,114,412
Net profit for the year	3,878,801	2,199,099
	<u>7,665,938</u>	<u>4,313,511</u>
Dividends	837,408	386,374
Transfer to general reserve (Note 3)	340,000	140,000
	<u>1,177,408</u>	<u>526,374</u>
Balance at December 31	<u>\$ 6,488,530</u>	<u>\$ 3,787,137</u>

Notes to consolidated financial statements are an integral part of these statements.

PHILLIPS CABLES LIMITED

AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1966

Source of Funds

Net profit		\$3,878,801
Charges not requiring expenditure of funds:		
Depreciation and net book value of assets retired	\$1,344,528	
Amortization of bond discount	8,125	
Deferred income taxes	566,000	1,918,653
Funds provided from operations		5,797,454
Issue of capital stock		3,282,377
		<u>9,079,831</u>

Application of Funds

Investment in fixed assets	3,725,730	
Special refundable tax	162,893	
Dividends	837,408	4,726,031

Increase in Working Capital		<u><u>\$4,353,800</u></u>
--	--	---------------------------

PHILLIPS CABLES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. Sinking Fund Requirements

Sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984 are required to commence on February 1, 1968.

2. Capital Stock

During the year 131,799 shares were issued at \$23 per share under the terms of a rights offering. 12,550 shares were issued at \$20 per share on the exercise of options previously granted under the incentive stock option plan. Options on 400 shares are still outstanding exercisable at \$20 per share on or before April 30, 1970.

3. General Reserve

\$340,000 has been appropriated from surplus to provide, net of income taxes, for fluctuations in inventory values.

4. Income Taxes

The profits of the wholly-owned subsidiary included in the consolidated profits are exempt from income taxes in accordance with the provisions of Section 71A of the Income Tax Act. The period of exemption ends February 28, 1969.

5. Pension Plans

The unfunded actuarial liability for past service of the employees' pension plans as at December 31, 1965 was \$2,144,000. During the year the Company made payments of \$142,500 in addition to the annual payments recommended by the actuaries to amortize this liability over a period of 23 years from that date.

The normal retirement age of hourly-paid employees at the Brockville and Montreal factories will be reduced to 65 from 70 effective December 1967.

6. Commitments

Commitments for capital expenditure not provided for in the accounts amount to \$4,150,000. The Company has subscribed for and been allotted 48,000 common shares of an associated company at a price of \$10 per share, the payment for which is on the basis of if, as and when issued.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

630 DORCHESTER BLVD. W.
MONTREAL 2

AUDITORS' REPORT

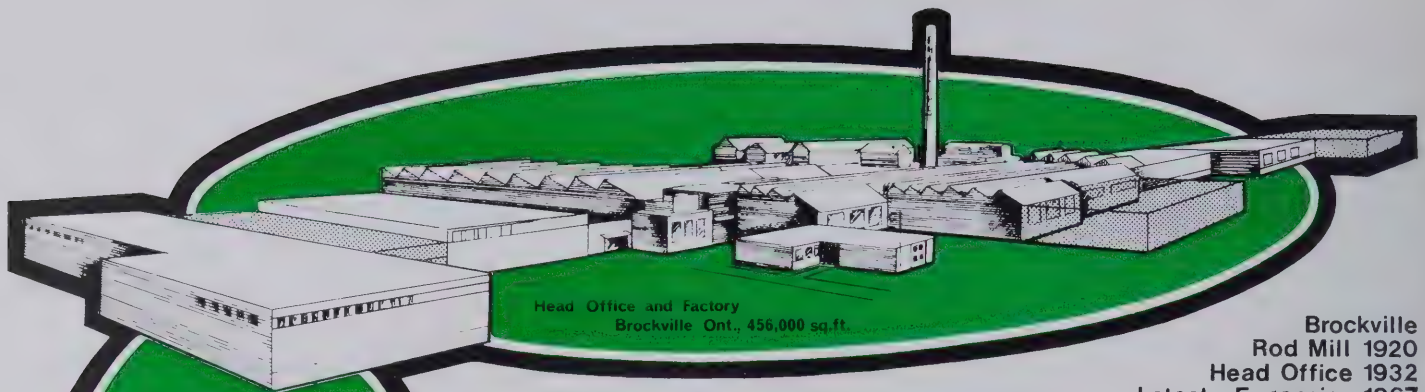
To The Shareholders
Phillips Cables Limited

We have examined the accompanying consolidated financial statements of Phillips Cables Limited and its wholly-owned subsidiary for the year ended December 31, 1966 comprising the consolidated balance sheet as at that date and the consolidated statements of profit and loss, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the consolidated financial position of the companies as at December 31, 1966 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead, Graham & Hutchison

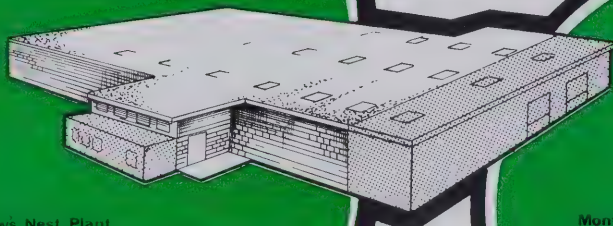
February 15, 1967



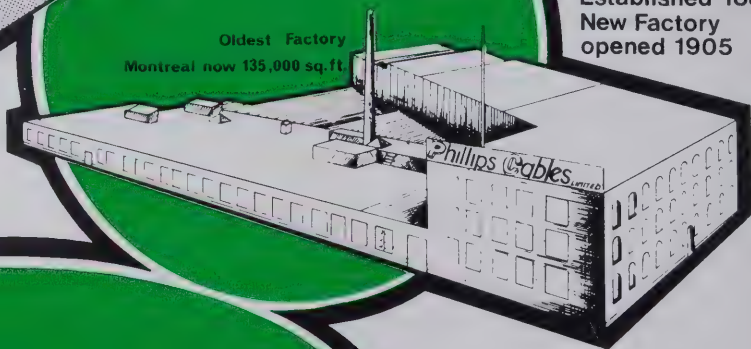
Head Office and Factory
Brockville Ont., 456,000 sq.ft.

Brockville
Rod Mill 1920
Head Office 1932
Latest Expansion 1967

Sentinel 1965
Expansion 1966



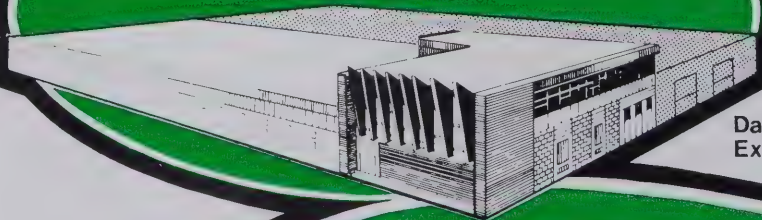
Crow's Nest Plant
Sentinel Alta., 66,000 sq. ft.



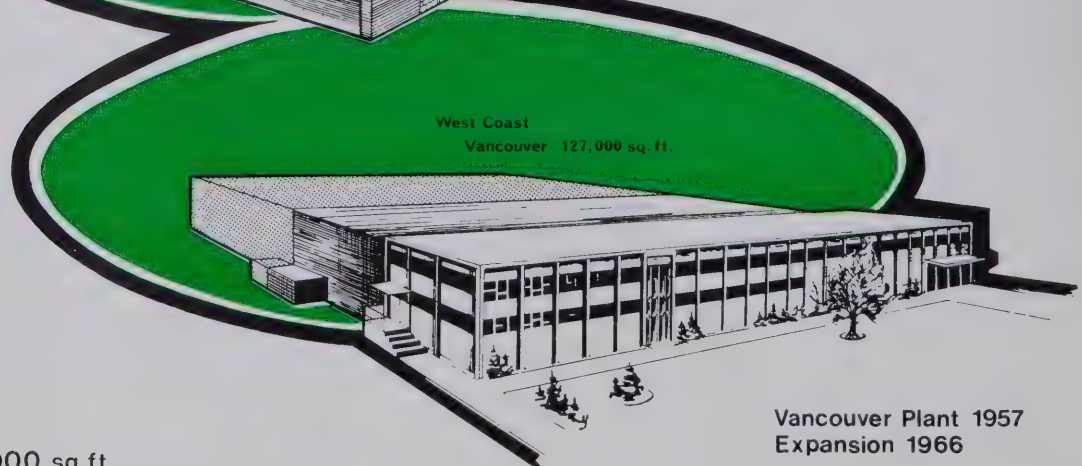
Oldest Factory
Montreal now 135,000 sq.ft.

Montreal
Established 1889
New Factory
opened 1905

East Coast
Dartmouth N.S. 46,000 sq. ft.



Dartmouth Plant 1960
Expansion 1966



West Coast
Vancouver 127,000 sq. ft.

Vancouver Plant 1957
Expansion 1966

Total Plant Area 830,000 sq.ft.

PHILLIPS CABLES LIMITED
REGIONAL SALES OFFICES & FACTORIES

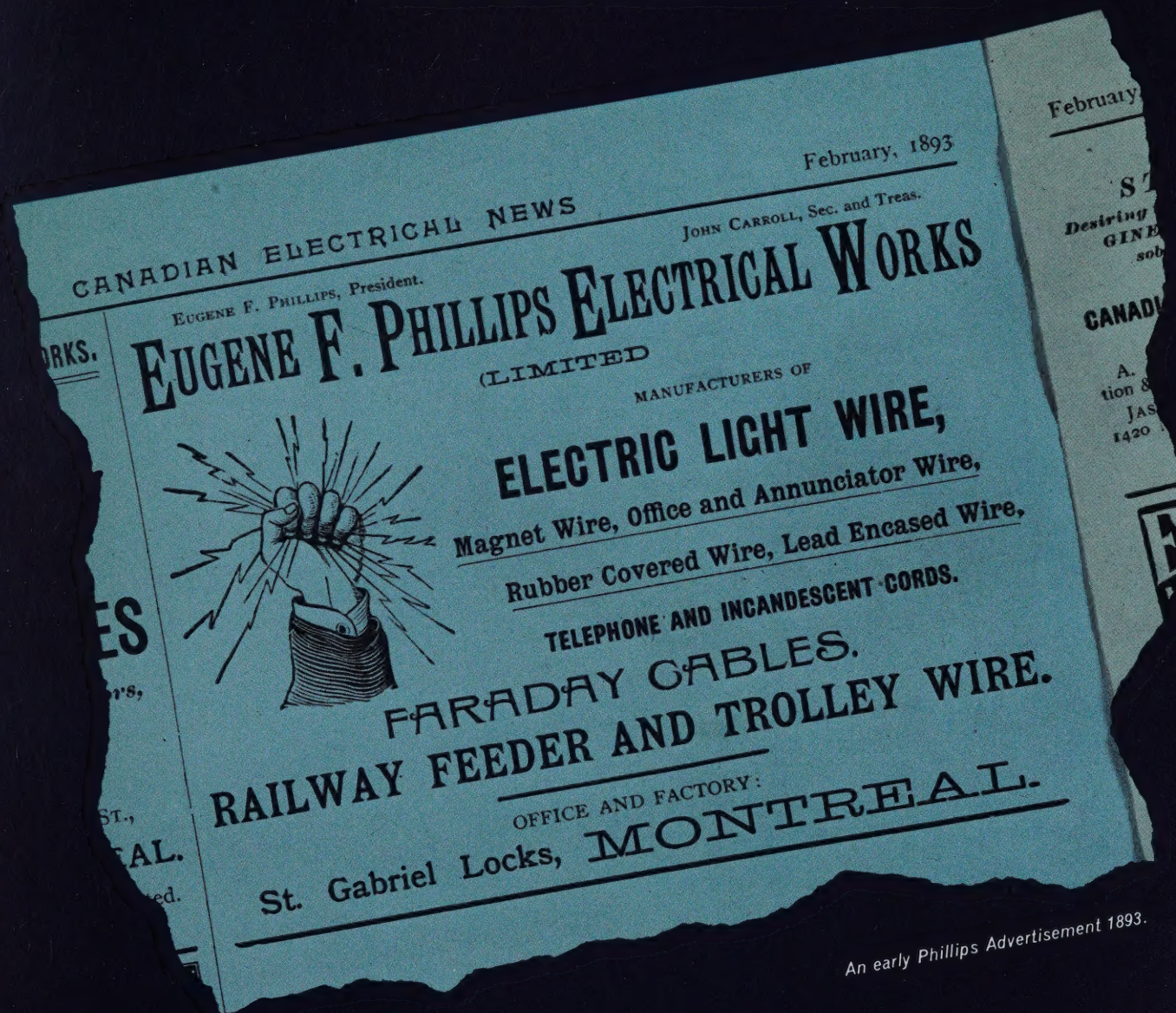
SALES OFFICES

<u>Region</u>	<u>Office Address</u>	<u>Regional Manager</u>
Atlantic Provinces	Woodside Industrial Park, DARTMOUTH, N.S.	R. L. Smith
Quebec	620 Dorchester Blvd. West, Suite 825, MONTREAL, P.Q.	A. Roy
Ontario	56 Sparks Street, OTTAWA, Ont.	} D. E. Haig
	King Street West, BROCKVILLE, Ont.	
	26 Hollinger Road, TORONTO, Ont.	C. F. Jardim
	540 Woodward Avenue, HAMILTON, Ont.	L. V. MacDonald
Manitoba	1236 Sargent Avenue, WINNIPEG, Man.	} P. H. Wylie
Saskatchewan	1335 Wallace Street, REGINA, Sask.	
Alberta	14733 - 123rd Avenue, EDMONTON, Alta.	} A. Sandilands
	3604 Burnsland Road, CALGARY, Alta.	
British Columbia	8330 Chester Street, VANCOUVER, B.C.	S. Elkins
Bahamas	P.O. Box 541, FREEPORT, G.B.I.	W. Walker

FACTORIES

Atlantic Provinces	DARTMOUTH, N.S.	L. J. V. Allen
Quebec	MONTREAL, P.Q.	Y. Trudel
Ontario	BROCKVILLE, Ont.	Head Office
Prairie Provinces	SENTINEL, Alta.	J. P. McQue
British Columbia	VANCOUVER, B.C.	E. G. Purdy

PIONEER CABLE MAKER... MONTREAL 1889



An early Phillips Advertisement 1893.

Advertisement reproduced from the archives of Canadian Electrical News, February, 1893

1889-1966

77 YEARS OF CABLE- MAKING HISTORY



